

State Allocation Board Implementation Committee  
October 4, 2002

USE OF GRANTS

BACKGROUND

Grants for the construction of new school facilities in the School Facility Program are calculated by multiplying the unhoused pupils in the district by the prescribed per-unhoused-pupil grant amounts (EC Section 17072.10). The district may then submit applications for apportionment of any portion or all of the new construction funding eligibility determined by the per-unhoused-pupil grant process.

In order to calculate the grant amount for an individual new construction application, the State Allocation Board regulations require a district to identify the number of pupils assigned to the project. It is expected that this number is equal to the capacity of the project using "state loading standards" developed for use in the SFP. When the number of pupils assigned to the project exceeds the capacity of the project, and/or when students from a different grade level are being used for the grant calculation, the district must submit documents justifying what is known as a "Use of Grants." Generally the requirements for approval of a Use of Grants request are that the district board pass a resolution which acknowledges that the funds for some of the pupils are being diverted to a purpose other than providing classroom capacity and that the state's obligation to housing the children is satisfied (Reg. Section 1859.77.2, attached).

The Use of Grants process was set up in regulation to address situations when the per-unhoused-pupil amount was insufficient to adequately fund the project for either of two reasons:

- The nature of the project was such that there were no students being 'housed', such as a multipurpose room, gymnasium or library; or
- The project did not contain sufficient pupil capacity to provide adequate funding for the facilities proposed. For example, the project was for 4 classrooms, restrooms, administrative space and a library. In this case, more than the 100 pupil grants might be needed to provide the funding to support all of the other facilities proposed.

The process is also used when the pupils used to calculate the grants for the project are from a grade level different than the project.

Current Regulations:

- When priority points are in effect, the Use of Grants request may not exceed 135% of the capacity of the project. This means that when funds are rationed, projects for non-classroom facilities are limited or eliminated.

- When priority points are not in effect, the request is not capped. Therefore, the amount of funding that a district could request for a single project is limited only by the district's eligibility and by the 60 percent commensurate requirement.

## DISCUSSION

The current State Allocation Board regulations are inadequate for several reasons:

### *Unlimited Project Funding*

When priority points are not in effect, current regulations allow a district to request an amount of project funding limited only by the district's eligibility and by the 60 percent commensurate requirement. Any 'savings' in the project are retained by the district and may be used for any other high priority facility needs in the district.

Issues:

- The requests result in funding going to projects not approved by the SAB, CDE or DSA, all requirements of project approval in the SFP.
- Although OPSC has not reviewed this issue with bond counsel, it is possible that such unrestricted use of large portions of the bond may be problematic.

### *Project Funding Not Related to the Project*

When the grant amounts are calculated for an individual project, they are assumed to be sufficient to construct the project. Except in the case of stand alone projects such as multipurpose rooms, gymnasiums and libraries, funding provided by a Use of Grants request can therefore only be for the purpose of enhancing the project beyond the level of facilities envisioned by the program or for the purpose of providing funding for other district facility needs not eligible in the SFP.

Issues:

- The requests result in use of bond funds not contemplated by the legislature or the voters.
- Projects constructed in districts with surplus eligibility contain enhancements not possible in districts where the surplus does not exist.

### *No Oversight of Housing Plans*

When the district submits a Use of Grants request, the district must submit a plan of how the 'excess' pupils will be housed. For instance, if the district requests to use 300 K-6 children to provide grants for the construction of a high school, it must indicate how the 300 children will be housed. The only restriction in regulation is that the district may not use facilities excluded from the existing school building capacity or facilities constructed with district funds if the district has received financial hardship approval. No CDE, OPSC or SAB approval is required for projects filed with DSA after April 30, 2001.

Issues:

- The use of inadequate housing in the form of temporary facilities is perpetuated.
- Class size is inflated in direct contradiction to state and local efforts at class size reduction.
- MTYRE is expanded when the purpose of the SFP grant is to provide classrooms for unhoused pupils and the legislature believes it is an undesirable alternative in spite of many district's professed desire to eliminate it .
- It appears that the housing plans are given a perfunctory approval by District Boards without discussions with constituents.

The fundamental issue is that the extra grants portion of the Use of Grants process allows bond funds, provided by the voters to construct facilities under the guidelines of the SFP, to be used for other purposes. No matter what the justification offered, the fact remains that the funding is not going to provide classrooms, which is the primary justification given to the voters for the bonds.

The staff supports the original concept of the Use of Grants process. A method should exist to allow districts to use a reasonable number of grants for the purpose of constructing projects or portions of projects that by their nature do not house children. Staff believes that the regulations must be revised to allow such requests when appropriate, but eliminate requests that are simply for additional funding without additional facilities. Staff also believes that the methods for housing the 'excess' students should be limited and defined in regulation.

## PROPOSAL

### *Purpose of a Use of Grants request*

A district may request a Use of Grants for the purpose of submitting a new construction application for any of the following 'stand-alone' projects:

- A multipurpose room
- A gymnasium
- A library

The value of the per-pupil grants may not exceed the square footage and funding amount which would be provided for a similar facility through a facility hardship request.

A district must request a Use of Grants approval when the students used in the calculation of the project grants for any SFP project are from a grade level different than the grade level of the project.

### *Housing Plan*

The district must certify that it will construct or acquire facilities for housing the students with funding not otherwise available to the SFP as a district match within five years of the approval of the project. The funding source must be identified. The housing plan must be included in the required resolution adopted by the local school board.

When the Use of Grants is for students from a different grade level, the district may as an alternative, demonstrate that the proposed facilities will house the students because of shifting demographics within the district.

### *Resolution*

The district must submit a resolution adopted by the local school board on a date preceding the application filing. The resolution must contain the following:

- The certification mentioned under Housing Plan that the district will construct or acquire facilities to house the pupils using funds not otherwise available to the SFP as district match.
- Acknowledges that the funds provided for students are being diverted to another purpose, which is identified in the resolution, and that the state has satisfied its obligation to house the pupils.

### *Other Provisions*

- The SAB will approve applications for Use of Grants that meet the above criteria at the time the funding application is submitted.
- Eligibility generated by SDC pupils may not be the basis of a Use of Grants request.
- A Use of Grants request for a gymnasium, multipurpose, or library which is a part of a SFP new construction application may only be made if the project is eligible for a new school supplemental allowance.

### ALTERNATE PROPOSAL

Rescind regulation section 1859.77.2

Modify the instructions on the Form 50-04 to limit the pupil grant to the number of pupils to be housed on the project.